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NEWS RELEASE

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PSC Closes Review of LG&E and KU Customer Service *Companies have met all targets set by 2011 management audit*

FRANKFORT, Ky. (Jan. 14, 2015) – The Kentucky Public Service Commission (PSC) has ended its heightened scrutiny of the consumer service operations of Louisville Gas and Electric Co. (LG&E) and Kentucky Utilities Co. (KU) because the two companies have completed the improvements recommended in the final report of a management review completed in September 2011.

In a letter sent today to the two utilities, the PSC said all 20 of the recommended actions have been completed, ending the need for further progress reports tied to the review, known as a focused management and operations audit.

“The companies are to be commended for the effort devoted toward implementing the audit recommendations,” the PSC said, noting the “long-term benefits in achieving and retaining (the) goal” of industry leadership in customer service.

The PSC will continue to monitor LG&E’s and KU’s customer service performance as part of its routine oversight of the utilities.

The customer service audit was prompted by an increase in customer complaints to the PSC, particularly from 2008 through 2010. The review was ordered in July 2010. In keeping with Kentucky law, an independent outside consultant, The Liberty Consulting Group, was selected to conduct the audit.

Liberty’s final report found that the companies were regularly failing to meet their own internal performance standards for functions such as answering customer calls, meter reading and billing accuracy. The problems were traced to new computer systems and problems in hiring, training and retaining customer service personnel.

The audit report made specific recommendations to correct the shortcomings, including hiring additional call center staff and changing policies with respect to delinquent bills and disconnections.

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The utilities were required to submit regular reports on their progress in implementing the audit recommendations. Those progress reports tracked items such as how quickly customers calls and e-mails are answered, meter reading accuracy, and billing accuracy.

The latest progress report was delivered in March 2014. The PSC's verification review was completed in November 2014. In a response attached to today's letter, the PSC states that its review found that KU and LG&E had met or exceeded all of the performance goals set by the audit process and had completed work on the final seven of the 20 recommendations.

LG&E and KU reported that they have incurred \$7.4 million in one-time cost implementing the audit recommendations, with most of that being spent on an additional statewide call center located in Morganfield in western Kentucky. Maintaining the improved customer service as recommended in the audit will cost about \$5.6 million annually, the utilities have told the PSC.

LG&E has about 395,000 electric customers in nine counties in and around the Louisville area and 318,000 natural gas customers in 21 counties. KU has 512,000 customers in 77 Kentucky counties.

The full report is available on the PSC website, psc.ky.gov.

The PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in Kentucky and has approximately 85 employees.

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